

DIRECT TESTIMONY

of

Margaret Felts

Secretary-Treasurer

Mt. Carmel Public Utility Co.

Revision of 83 Ill. Adm. Code 280

Docket No. 06-0703

January 15, 2010

1 **Q. Please state your name and business address.**

2 A. My name is Margaret Felts, and my business address is 316 N. Market Street,
3 Mount Carmel, IL 62863

4 **Q. By whom are you employed and in what capacity?**

5 A. I am employed by Mt. Carmel Public Utility Co. as the Business Office Manager
6 and Corporate Secretary-Treasurer.

7 **Q. Please describe your educational and occupational background.**

8 A. I earned an Associate of Science Degree from Vincennes University in 1976.
9 From 1977 to 1996, I worked for Security Bank and Trust Co. and it's successor, Old
10 National Bank, holding positions of Accounting Department Manager, Discount
11 Brokerage Manager, Assistant V.P. of Bank Marketing, and Vice President and Trust
12 Officer. While employed in the banking industry, I received the designation Certified
13 Financial Planner. I graduated from the both the School of Bank Marketing and Canon
14 Trust School, receiving the Certified Trust and Financial Advisor designation.

15 My responsibilities in the marketing area focused on ensuring quality customer
16 service and developing programs responsive to the needs of our customers, as well as
17 supervising the customer contact employees. As Trust Officer, I administered trust and
18 estate assets in compliance with the governing documents.

19 My responsibilities as a utility employee include supervision, management of
20 Human Resources, customer service and complaint resolution, consumer education

and information, regulatory issues, and financial management. I also serve on the Company Board of Directors.

Q. What is the purpose of your testimony?

A. My purpose in presenting testimony is to address areas of concern Mt. Carmel Public Utility Co. has with the changes in the proposed rule.

Mt. Carmel Public Utility Co., because of its size and operating practices, finds some of the proposed rules difficult and expensive to implement. In addition, our position is that the rules governing the practices between the parties should be transparent and easily understood by all parties. We don't believe all the rules meet this objective and in some instances we may offer an alternative method for communicating with our applicants and customers to reduce costs without compromising transparency. Further, it is the position of Mt. Carmel Public Utility Co. that not all of the proposed rules are to the benefit of the applicant or customer, as some may not fully protect them, and some are too costly for any perceived, or at best, limited benefit.

In this testimony, I will discuss some of the sections of the proposed rule that are problematic for Mt. Carmel Public Utility Co. and, where possible, suggest an alternative approach. While we recognize that the rules are written for numerous utilities with differing numbers of customers, it would be our intention to provide generic alternatives as opposed to asking for exceptions to the rules. If Mt. Carmel Public Utility Co. does not address a proposed rule herein, the company does not waive its rights to object or comment on any of the other proposed rules in this or any other docket.

42 **Q. Did Mt. Carmel Public Utility Co. participate in the workshop process?**

43 A. Yes, Mt. Carmel Public Utility Co. participated in the workshop process.

44 **Q. Did you participate on behalf of Mt. Carmel Public Utility Co.?**

45 A. Yes, I did.

46 **Q. What role does Illinois Administrative Code Part 280 play in the daily**
47 **operations of Mt. Carmel Public Utility Co.?**

48 A. 83 IL Admin Code Part 280 provides the framework by which we develop
49 practices and procedures which govern our interaction with the public, whether it is
50 relating to operational practices in the field or the way we transact business in our office.
51 The means for communicating those practices and procedures with customers are also
52 built upon the rules outlined in 83 IL Admin Code Part 280. Part 280 addresses rights
53 and responsibilities of both the utility company and the applicant and customer. The
54 rules should be clear to all parties, and we believe simplification of the language and
55 outline will benefit all parties.

56 **Q. Please provide the comments and any changes you suggest to the**
57 **proposed rules as submitted.**

58 A. Because the comments and suggested changes cover many sections, I've
59 chosen to break them down by section as follows:

60 **In Section 280.20 Definitions:**

61 1. **"Low income customer"**: Mt. Carmel Public Utility Co. would suggest that
62 the definition should not include process requirements as stated in the final sentence of

the proposed rules: *"The utility shall notify the customer no less than 30 days and no more than 90 days prior to the expiration of a customer's qualifications."*, but should instead describe how a person qualifies as a "low income customer". The quoted sentence should be deleted from the definition. The rules should and will be described in the section pertaining to Low Income Customers.

2. **"Medical payment arrangement"** uses the term "medical certificate". A definition for "medical certificate" should be added in this section.

Suggested definition:

Medical Certificate means written medical information provided to the utility company by your doctor or the local board of health. If a customer or occupant in the home is very sick, a medical certificate will provide the following documentation to the utility company:

1. the name of the sick person,
2. a statement that the person resides at the premise,
3. the name, business address and telephone number of the certifying party,
4. the period of time during which termination of utility service will aggravate the condition, and
5. the type of medical equipment needed to aid or assist the sick person.

3. **"Non-sufficient funds" or "NSF": Suggested language** would read:
"means any check submitted to the utility company for payment of utility services which

cannot be honored by the financial institution on which it is drawn because insufficient funds are available in the account on which it is drawn.”

4. **“Past Due”:** The simplest definition of “past due” is “past the due date printed on the bill” as opposed to two days past the due date. **Suggested language** would be: “Past due” means any amount unpaid after the due date printed on a customer’s utility account bill statement.

The reason for our position is that Mt. Carmel Public Utility Co. maintains a local office for receiving payments, a night depository for after business hours payments and processes mailed payments daily with an effective date of the postmark on the envelope. If the rule allows a 21 day grace period for paying for residential services, then the bill is “past due” when it is past the due date, by definition. Obstacles for timely posting of payments have been minimized on the part of Mt. Carmel Public Utility Co.

5. **“Payment avoidance by location” or “PAL”:** The definition as currently written seems to imply that payment avoidance is permissible on the first offense but is unacceptable if it is “repeated”. In addition, the definition seems to expound to the point of describing actions in the last sentence, which should be reserved for the section addressing Payment avoidance. **Suggested language:** Payment avoidance by location means an attempt by an applicant or customer to avoid payment of utility services used by the customer or occupant at a specific premise.

6. **“Transfer of Service”:** This definition seems unnecessarily lengthy and might be more easily understood by eliminating the last sentence. (Those issues are ((or

should be)) addressed elsewhere in the rules for connecting and disconnecting service.)

Section 280.30 Application

d) Application Content:

1. **Subsection (1)** identifies the acceptable means and number of documents an applicant may be required to provide to establish positive identification. The Company strongly objects to the addition of Subsection (d)2, where the language gives the applicant for service (and not utility personnel) the opportunity to choose which forms of identification they wish to provide and further prohibits the utility from favoring one form of identification over another.

The language in Subsection (d)2 is contrary to the stated intent of giving the utility the right to ensure proper identification of it's customers.

On the website www.privacyrights.org, it is reported that 40 million people have been the victims of identity fraud in the last five years and an estimated 250 millions people have had their personal information breached. Every two seconds, someone's identity is stolen. The Federal Trade Commission reports that the problem will become 20 times worse in the coming months.

The Fair and Accurate Credit Transactions Act (FACTA) establishes rules for not only securing and protecting the personal identifying information received from applicants and customers, but it also establishes verification and authentication of identity as the two main components for protecting consumers from identity theft. Because the Federal Trade Commission requires utility companies to comply with

FACTA and because of the magnitude of the problem nationwide, it is the position of Mt. Carmel Public Utility Co. that the utility company must be the entity that determines the forms of identification it finds acceptable for verifying the identity of applicants for service. Further, in the event collection actions must be taken against the customer, the utility should have the best information available to enforce such action and not be limited in accurately collecting from the correct party.

2. In Subsection (d)(4), C - F, it is unclear whether it is optional for the utility to ask for the information or optional for the customer to provide it.

3. Subsection (f) Applicable past due debts:

Mt. Carmel Public Utility Co. states that the proposed rule should be applied only to debt incurred following implementation of the final rule and not to debts already on the books of the utilities. Some of the detailed records in the proposed rule may not have been stored on some of the past debts and should therefore not impact existing debt or the utilities' ability to recover it. This would constitute a change in a past or current contractual relationship and be an unfair taking of utility rights and property.

Section 280.50 Billing

Bill Content:

Complying with the proposed rules will require extensive upgrades to Mt. Carmel Public Utility Co.'s customer information system (CIS). The upgrades also necessitate the purchase of higher capacity hardware on which the software will run. Additionally,

147 there are 3rd party installation costs and an increase in the ongoing monthly costs
148 related to the customization of the software. The figures below include minimum costs
149 for modifications that will be required in other sections of the rule besides bill content.

150	1. Estimated costs for modifying the CIS System	\$ 87,500
151	2. Estimated cost of upgrading the operating system, licensing and	
152	installation	\$137,000
153	3. Estimated cost of hardware and installation	\$ 80,000

154 In addition to the one time costs listed above, there would be an increase of \$17,500.00
155 in our annual software service agreement (SSA) fees. While the numbers may seem
156 small relative to other utilities' IT costs, this capital outlay represents 50% of our current
157 hardware capital investment and 67% of our current annual SSA fees.

158 The additional detail required on the face of the bill could easily result in a
159 multiple page bill, which will double our paper costs and increase postage costs, not to
160 mention the toll the additional paper places on the ecosystem. Font sizes could be
161 minimized to put more information on the same 8 ½ " x 11" paper, however, it has been
162 and continues to be our goal to provide accurate and concise information on the
163 monthly bill in a font large enough to be read by the elderly and sight impaired in a cost
164 effective manner.

165 Because much of our business is conducted in the office, a customer who enters
166 into a deferred payment arrangement or a deferred deposit agreement is provided with
167 written documentation and a payment schedule at the time they enter into an

168 agreement. To recreate the data monthly seems redundant and unnecessary because
169 they are given a copy of the signed agreement at the time of execution. I agree with
170 what I believe is the intent of the proposed rule in respect to providing the customer with
171 detailed information relating to their debt with the utility, however, the level of detail and
172 the repetition seems excessive and the costs outweigh the perceived and limited
173 benefit.

174 I would further contend that printing the toll free number for the Commission
175 Consumer Services Division on every bill, while it is easy enough to accomplish, may
176 have the unintended result of increasing the workload of the Commission Staff as
177 customers by-pass the dispute resolution process through their local utility and go
178 directly to the ILCC CSD.

179
180 **Section 280.60 Payment**

181 Mt. Carmel Public Utility Co. has a tariff filed that states the Company will
182 process mail payments to an account with an effective date of the postmark date. The
183 proposed rules for when a payment is late and when a late fee can be assessed include
184 language that allows an additional two day grace period. We would propose language
185 that makes an exception when a Company posts payments as received by the postmark
186 on the envelope and when that practice is employed, a payment is considered past due
187 on the day following the due date posted on the bill.

280.70 Preferred Payment Date

Notification:

Mt. Carmel Public Utility Co. issued 74,186 bills in 2009 and 17,186
Disconnection Notices.

Our experience is that there are a large number of customers who routinely pay
their monthly bills “ off their red notices.” To notify, in writing, approximately 24% of our
customers every month that they might be eligible for a Preferred Payment Date would
be costly in terms of time, paper, and mailing costs. In addition, if I were such a
customer, I would be annoyed by the constant mailings I was receiving from the utility
company and would wonder why they were wasting money month after month that will
eventually flow through a rate case and cause me to pay more for utility services.
I would suggest that a reference in the bill message directing the customer to the utility's
website, where they could determine if they are eligible, would be far better than
incurring repeated excessive paper and mailing costs. It's less costly for the utility
company in the short run and for the customers in the long run. The information relating
to eligibility requirements for the Preferred Payment Date could also easily be
incorporated into the Appendices A, B, C, or D, which are provided with each
disconnection notice mailed.

The cost to print a bill message is minimal, however, the IT costs associated with
tracking a customer's payment pattern to trigger the bill message are not. The IT costs
are included in the estimate provided under comments on Section 280.50 above.

209 **280.120 Deferred Payment Arrangements**

210 The proposed rule requires the itemization of information on each bill that has
211 previously been provided to the customer in writing. The costs for modifying the CIS
212 system to accommodate this requirement and the rationale for not itemizing the details
213 on each bill are included in 280.50 Billing above.

214
215 **280.125 Deferred Payment Arrangements for Low Income Customers**

216 It is not clear whether the intention was to run two DPA's concurrently or if it was
217 the intention of the proposed rule to cancel the first and create another single DPA
218 using both past due amounts. If the intention was to run two plans concurrently, our
219 computer system cannot be modified to accommodate the second DPA. We would be
220 required to find a different vendor altogether for this type of arrangement. This would
221 result in a large expense and would eventually be required to be passed on to the
222 customer for no real benefit to the customer other than compliance with a rule.

223
224 **Section 280.160 Medical Certification**

225 The "Life Support Program" of a utility company in a neighboring state has
226 identified certain durable medical equipment and the reliance of the customer or an
227 occupant of the residence upon that equipment as the criteria for qualifying for their
228 program.

It is important to us, as it is to all utilities, to provide continuous services where true medical emergencies exist or would be created. Having said that, if there were a similar effort to identify similar equipment within this rule as is done by the utility operating in a neighboring state, it is my belief that it would be helpful in mitigating the abuse of the medical deferred payment arrangement that currently exists as an additional method to avoid disconnection and establishing it as a measure to be employed when a true medical emergency exists or would be created.

The Life Support Program identifies the following life sustaining equipment:

Infant apnea monitor

Oxygen concentrator

Ventilator/respirator

BIPAP (Bi-level positive airway pressure)

IV pumps

Home dialysis

C-pap machine for a minor child (Continuous positive airway pressure).

The adoption of a similar list in this rule would provide the medical community additional information by which to validate the requested medical certification for the purposes set forth in the rule. This would give the medical community a guideline to use and also to cite to a patient.

An additional issue would be that, as stated in my comments in Section 280.125, our existing computer system will not accommodate multiple payment arrangements on

250 an individual account. The Company could rework an existing payment arrangement to
251 comply with the provisions of Section 280.160, but it would be unable to track and bill
252 two separate payment arrangements.

253 **Q. Do you have any other comments or recommendations regarding the**
254 **proposed rule?**

255 A. Yes. Implementing the changes as they are written in the proposed rule will
256 require some extensive programming and testing of our existing CIS system in addition
257 to the purchase and installation of hardware with more capacity of storage and
258 processing. If the final rule contains all the proposed rules in their entirety, it is likely Mt.
259 Carmel Public Utility Co. would be required to search for a different vendor for its
260 information technology processing. For these reasons, Mt. Carmel Public Utility Co.
261 would propose a 24 month to 48 month implementation time frame following the final
262 order implementing changes to 83 IL Admin Part 280, although 48 months would likely
263 only be required if all systems had to be moved to a different software system. This
264 extreme is highlighted by the fact that the CIS system is linked not only to the billing
265 system, but is part of integrated software that is interfaced between financial, material
266 management, fleet, fixed assets and other components which would *all* have to be
267 replaced and brought on line. These costs are not set out in the testimony above and
268 are not known, but would be very costly, and again with no or little benefit from the
269 proposed rules. However, if the issues which Mt. Carmel Public Utility Co. has set out
270 above are addressed, then the implementation process would be more in line with a 24

271 to 36 month time frame.

272 **Q. Does this conclude your comments on the proposed rules?**

273 A. Yes, however, I again would like to commend the Staff for their efforts in
274 identifying relevant issues and crafting proposed rules in an attempt to satisfy the needs
275 of the parties involved.